UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF OHIO

In re	**Case No. 15-33448**
AFFORDABLE MED SCRUBS, LLC,	**Chapter 11**
Debtor.	**Bankruptcy Judge Mary Ann Whipple**

DEBTOR'S SECOND AMENDED DISCLOSURE STATEMENT

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Dated: July 29, 2016

I. INTRODUCTION[1]

Affordable Med Scrubs, LLC (the "Debtor") submits this Second Amended Disclosure Statement (the "Disclosure Statement") in connection with the solicitation of votes in favor of the Debtor's Third Amended Plan of Reorganization (the "Plan"), a copy of which is attached hereto. The Plan represents the means by which the Debtor will complete the reorganization of its business. The Disclosure Statement is intended as a summary document only and is qualified in its entirety by reference to the Plan. In the event of a conflict between the terms of the Plan and the Disclosure Statement, the terms of the Plan govern. You should read the Plan to obtain a full understanding of its provisions. This Disclosure Statement does not constitute financial or legal advice. You should consult your own advisors if you have questions about the Plan or this Disclosure Statement.

THIS DISCLOSURE STATEMENT HAS BEEN PREPARED BY THE DEBTOR IN GOOD FAITH AND IN COMPLIANCE WITH THE APPLICABLE PROVISIONS OF THE BANKRUPTCY CODE. CERTAIN OF THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT HAS BEEN PROVIDED TO THE DEBTOR BY THEIR PROFESSIONALS, CERTAIN INFORMATION WAS OBTAINED FROM CLAIMS AND OTHER PLEADINGS FILED IN THIS CASE, AND THE INFORMATION HEREIN IS BELIEVED TO BE CORRECT AT THE TIME OF THE FILING OF THIS DISCLOSURE STATEMENT. ANY INFORMATION, REPRESENTATION OR INDUCEMENT MADE TO SECURE OR OBTAIN ACCEPTANCES OR REJECTIONS OF THE PLAN THAT ARE OTHER THAN, OR ARE INCONSISTENT WITH, THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT SHOULD NOT BE RELIED UPON BY ANY PERSON IN ARRIVING AT A DECISION TO VOTE FOR OR AGAINST THE PLAN. THIS DISCLOSURE STATEMENT AND THE PLAN ARE AN INTEGRAL PACKAGE AND THEY MUST BE CONSIDERED TOGETHER FOR THE READER TO BE ADEQUALTELY INFORMED.

THE DEBTOR'S RESPECTIVE SCHEDULES LISTING THE ASSETS AND LIABILITIES OF THE DEBTOR AS OF THE DATE OF THE COMMENCEMENT OF THE CHAPTER 11 CASE ARE ON FILE WITH THE CLERK OF THE BANKRUPTCY COURT AND MAY BE INSPECTED BY INTERESTED PARTIES DURING REGUALR BUSINESS HOURS. AS TO CONTESTED MATTERS, ADVERSARY PROCEEDINGS, AND OTHER ACTIONS, THIS DISCLOSURE STATEMENT SHALL NOT CONSTITUTE OR BE CONSTRUCTED AS AN ADMISSION OF ANY FACT, LIABILITY, STIPULATION OR WAIVER. THIS DISCLOSURE STATEMENT SHALL NOT BE CONSTRUED TO BE ADVICE ON THE TAX, SECURITIES OR OTHER LEGAL EFFECTS OF THE REORGANIZATION AS TO HOLDERS OF CLAIMS AGAINST, OR INTERESTS IN, THE DEBTOR. YOU SHOULD CONSULT YOUR OWN COUNSEL OR TAX ADVISOR ON ANY QUESTIONS OR CONCERNS RELATED TO THE PLAN AND ITS IMPACT ON YOUR LEGAL OR TAX AFFAIRS.

[1] Capitalized terms that are not defined herein have the meanings set forth in the Debtor's Plan of Reorganization attached hereto as Exhibit A.

The Debtor will seek an order of the Bankruptcy Court determining that this Disclosure Statement contains "adequate information" for creditors and equity security holders of the Debtor in accordance with section 1125 of the Bankruptcy Code. The Debtor believes, but does not warrant, that this Disclosure Statement contains "adequate information." The Bankruptcy Code defines "adequate information" as "information of a kind, and in sufficient detail, as far as is reasonably practicable in light of the nature and history of the debtor and the condition of the debtor's books and records, including a discussion of the potential material Federal tax consequences of the plan to the debtor, any successor to the debtor, and a hypothetical investor typical of the holders of claims or interests in the case, that would enable a hypothetical investor of the relevant class to make an informed judgment about the plan[.]" 11 U.S.C. § 1125(a)(1).

THE DEBTOR BELIEVES THAT THE PLAN IS IN THE BEST INTERESTS OF ALL CREDITORS. ALL CREDITORS AND EQUITY SECURITY HOLDERS ARE URGED TO VOTE IN FAVOR OF THE PLAN NO LATER THAN **[_____, 2016]**.

The requirements for confirmation of the Plan, including the vote of creditors to accept the Plan and certain of the statutory findings that must be made by the Bankruptcy Court, are set forth under the caption "VOTING AND CONFIRMATION OF THE PLAN."

IN SOME INSTANCES, PARTIES RECEIVING THIS DISCLOSURE STATEMENT ARE NOT ENTITLED TO VOTE ON THE PROPOSED PLAN AND, ACCORDINGLY, HAVE NOT BEEN PROVIDED WITH BALLOTS. FOR EXAMPLE, IF YOU HAVE FILED A CLAIM AGAINST THE DEBTOR, BUT AN OBJECTION TO THAT CLAIM SEEKING THE TOTAL DISALLOWANCE OF YOUR CLAIM HAS BEEN FILED, YOU ARE NOT ENTITLED TO VOTE ON THE PLAN UNLESS, PURSUANT TO RULE 3018 OF THE FEDERAL RULES OF BANKRUPTCY PROCEDURE (THE "BANKRUPTCY RULES"), THE BANKRUPTCY COURT TEMPORARILY ALLOWS YOUR CLAIM FOR VOTING PURPOSES. **THUS, IF YOU HAVE FILED A CLAIM THAT THE DEBTOR IS SEEKING TO DISALLOW IN ITS ENTIRETY, YOU WILL NOT BE PERMITTED TO VOTE ON THE PLAN UNLESS (A) YOU FILE A REQUEST WITH THE BANKRUPTCY COURT FOR THE TEMPORARY ALLOWANCE OF YOUR CLAIM FOR VOTING PURPOSES PRIOR TO THE VOTING DEADLINE, AND (B) THE BANKRUPTCY COURT RULES ON THAT REQUEST PRIOR TO THE CONFIRMATION HEARING.**

II. OVERVIEW OF THE PLAN

The Debtor proposes a reorganization plan under Chapter 11 of the Bankruptcy Code. As set forth in greater detail below, the Plan, if approved, provides that substantially all assets of the Debtor shall be sold to a purchasing entity resulting in a newly formed entity ("New Company") emerging from bankruptcy on the Effective Date which will continue to operate, providing goods to customers that the Debtor provided prior to and during bankruptcy. Under the jurisdiction of this Bankruptcy Court, the New Company shall assume the responsibility for administering and managing the Debtor's Estate by maintaining a roster of Claims, objecting to Claims, if necessary, and shall make all distributions to Allowed Claims as set forth herein. Substantially all Assets of the Debtor (including all of Debtor's Causes of Actions) shall be transferred to and vest in the New Company as of the Closing Date.

Important dates related to the Disclosure Statement and Plan are as follows:

Disclosure Statement Objections Due	August 5, 2016
Disclosure Statement Hearing	August 9, 2016
Deadline for Mailing Ballots	
Deadline for Returning Ballots	
Competing Bid Deadline	
Auction	
Notice of Highest and Best Bid	
Sale Objections Due	
Plan Objections Due	
Sale and Plan Confirmation Hearing	

SALE FREE AND CLEAR OF LIENS, CLAIMS, AND ENCUMBRANCES PURSUANT TO 11 U.S.C. 363

The Debtor has executed an Asset Purchase Agreement ("Schottenstein APA") with Jeffrey Schottenstein, which if approved by this Court through the Plan, will transfer free and clear of all liens, claims, encumbrances, and interests substantially all of the assets of the Debtor to a company formed by Mr. Schottenstein referred to herein as the New Company. The Debtor seeks authority in the Plan to consummate and perform obligations included within the Schottenstein APA summarized below.

Summary of Proposed Sale Terms. Terms of the Schottenstein APA executed by Mr. Schottenstein or his affiliated entity (the "Purchaser" and "New Company") and the Debtor are summarized below. This summary is qualified by reference to the Schottenstein APA attached to the Plan as **Exhibit C** which contains a more complete description of terms. Pursuant to the Schottenstein APA, the Debtor intends to sell and transfer to the New Company substantially all of the Debtor's Assets. All of the Debtor's Assets are being sold "where is, as is". In consideration for the sale and transfer of the Debtor's Assets, the New Company promises (collectively, the "Obligations"):

(a) Payment of $1.4 million by the New Company to the Debtor for substantially all the Debtor's Assets;
(b) New Company's agreement to provide adequate assurance and/or guaranty for the New Company to obtain a revolving credit line of at least $1 million post-sale;
(c) Post-sale operation of the New Company as a going concern;
(d) Assumption of the obligations of Debtor to pay 100% of the allowed, unpaid administrative expense Claims in the Debtor's Bankruptcy Case;

(e) Assumption of the obligations of Debtor to pay 100% of allowed, unpaid Priority Tax Claims in the Debtor's Bankruptcy Case;
(f) Assumption of the obligation of Debtor to pay the allowed claim of Chase Bank in the amount of $6,500 on the Effective Date of the Debtor's bankruptcy Plan;
(g) Assumption of the obligation of Debtor to pay $25,000 to FirstMerit Bank, N.A. ("FirstMerit") on account of FirstMerit's deficiency claim one year after the Effective Date of the Debtor's bankruptcy Plan;
(h) Assumption of the obligation to administer (but expressly not to assume or be obligated for, other than as agreed to in the Plan and the Schottenstein APA) Claims filed in the Debtor's bankruptcy, in the business judgment of the New Company, including objections and distributions to allowed, unpaid Claims, following the Effective Date of the Debtor's Plan;
(i) Assumption of the obligation of reviewing and prosecuting, in the business judgment of the New Company, Causes of Action **solely for the benefit of the New Company**;
(j) Assumption of the obligation to pay any and all fees and expenses related to the administration of the Debtor's Chapter 11 Case, for up to one year, following the Effective Date of the Debtor's bankruptcy Plan; and
(k) Assumption of the responsibility and cost for up to one-year of preparing quarterly reports to the U.S. Trustee's Office related to the distribution of amounts set forth in the Debtor's bankruptcy Plan.

The Schottenstein APA Terms Are Reasonable. The Debtor believes that the Schottenstein APA terms are reasonable and is submitting such terms to this Court for approval because in the Debtor's business judgment the Schottenstein APA terms are in the best interest of all creditors. The Debtor's Assets are primarily inventory, accounts receivable, and cash. The Debtor obtained an inventory appraisal from a third party, Heritage Global Valuations, dated May 11, 2016, which provided that a three-month liquidation would potentially provide net proceeds of $996,766. *See* **Exhibit D.** As of June 24, 2016, the book value of Debtor's accounts receivable was $690,579; assuming 50% recovery, the estimated gross recovery is $345,290, for a combined estimated liquidation value of $1,342,055.50 for inventory and accounts receivable. Pursuant to the Chapter 7 Liquidation Analysis, attached to the Plan as **Exhibit B**, if the Debtor's Assets are liquidated, it is anticipated that FirstMerit would be the only creditor to receive a distribution and that, net of liquidation expenses, such distribution would likely not exceed $1,180,667. Comparing the estimated liquidation value and Chapter 7 Liquidation Analysis, both of which result in only FirstMerit receiving a distribution, to the Schottenstein APA terms, which result in all classes of creditors other than equity holders receiving distributions, the Schottenstein APA terms are in the best interest of all creditors.

Sale Pursuant to Section 363 of the Bankruptcy Code. A debtor may sell property of the bankruptcy estate outside of the ordinary course of business, subject to the approval of the Bankruptcy Court after notice and a hearing. *See* 11 U.S.C. § 363(b)(1). Pursuant to Rule 6004(f)(1) of the Bankruptcy Rules, sales of property outside of the ordinary course of business may occur by private sale or by public auction. In this case, the Debtor has been unable to obtain additional financing sufficient to re-pay FirstMerit and provide capital for future operations. FirstMerit has made a Bankruptcy Code section 1111(b) election, which is described in more detail below; accordingly, without a sale of the Debtor's Assets, the Debtor would otherwise be obligated to re-pay FirstMerit, after bankruptcy, the amount of money that put them into

bankruptcy in the first place. No other party has expressed interest in purchasing the Debtor's Assets and it is unlikely that any third party, other than Mr. Schottenstein, will assume the burdens contained within the Schottenstein APA. The Debtor believes that the terms negotiated by the Debtor and Mr. Schottenstein are rare, not likely to be bested by any additional bidder, and are in the best interest of all creditors, including FirstMerit. Such negotiations were made at arms-length, in good faith, including back and forth by both Debtor and Mr. Schottenstein and the sale, if approved, merits findings that the sale contemplated by the Schottenstein APA complies with the provisions of sections 363(m) and 363(n) of the Bankruptcy Code. However, the Debtor proposes bid procedures (the "Bid Procedures") set forth below allowing other bidders to submit higher and better bids.

Bid Procedures. Any other competing bid ("Competing Bid") for the Debtor's Assets must be received by the Debtor's counsel, Sherri L. Dahl, Esq., at SDahl@DahlLawLLC.com no later than **[DATE]** (the "Competing Bid Deadline"). If any Competing Bid is received by the Competing Bid Deadline, then the Debtor shall conduct an auction on **[DATE]** at the James M. Ashley and Thomas W. L. Ashley U.S. Courthouse, 1716 Spielbusch Avenue, Toledo, Ohio 43604. At the conclusion of the action, the Debtor shall announce, and within 24 hours, file on the Bankruptcy Court docket a Notice of Highest and Best Bid. Objections, if any, to the sale must be filed by **[DATE]** and a sale hearing shall be held on **[DATE]** at the James M. Ashley and Thomas W. L. Ashley U.S. Courthouse, 1716 Spielbusch Avenue, Toledo, Ohio 43604.

Sale Free and Clear of Liens, Claims, Encumbrances, and Interests. The Debtor requests authority to sell substantially all of its assets to Mr. Schottenstein, subject to higher and better offers, free and clear of liens, claims, encumbrances, and interests, pursuant to section 363(f) of the Bankruptcy Code. Section 363(f) provides:

> The trustee may sell property under subsection (b) or (c) of this section free and clear of any interest in such property of an entity other than the estate, only if –
>
> (1) Applicable nonbankruptcy law permits sale of such property free and clear of such interest;
>
> (2) Such entity consents;
>
> (3) Such interest is a lien and the price at which such property is to be sold is greater than the aggregate value of all leins on such property;
>
> (4) Such interest is in bona fide dispute; or
>
> (5) Such entity could be compelled, in a legal or equitable proceeding, to accept a money satisfaction of such interest.

The Schottenstein APA meets the requirements of section 363(f). The Debtor's Assets being sold are subject to the asserted first priority security interests of FirstMerit and FirstMerit can be compelled to accept a money satisfaction of such interests.

Although section 363(b) does not specify a standard for determining when it is appropriate for a court to authorize the use, sale, or lease of property of the estate, case law has confirmed that, when a sale occurs outside of a plan, the use or sale of assets is appropriate if the sale or use is based upon a debtor's sound business judgment. *See Committee of Equity Security Holders v. Lionel Corp. (In re Lionel Corp.)*, 722 F.2d 1063, 1070 (2d Cir. 1983)(concluding that there must be an articulated business justification, other than the appeasement of major creditors, for using, selling or leasing property out of the ordinary course of business before the bankruptcy judge may authorize such action). In *Lionel Corp.*, the Court found that "a bankruptcy judge must not blindly follow the hue and cry of the most vocal special interest groups; rather, he should consider all salient factors pertaining to the proceeding and, accordingly, act to further the diverse interests of the debtor, creditors and equity holders, alike." *Id. at* 1071. Although the sale of assets in this case occurs within a plan, the same principles apply, and the Debtor has a business justification for authorizing the sale; specifically, the Schottenstein APA terms provide for the Debtor's Assets to transfer to the New Company and for the Debtor's operations to continue post-bankruptcy with a new capital infusion of at least one million dollars in new credit. With the Debtor's post-bankruptcy continued business and Estate administration as set forth in the Schottenstein APA and this Plan, creditors in all Classes set forth in this Plan will receive a distribution and potential additional future transactions related to the New Company's future operations. The terms of the Schottenstein APA are fair and reasonable and result in paying the Debtor's senior secured lender, FirstMerit all sale proceeds. In addition, the Schottenstein APA assumes responsibility for paying the Debtor's administrative and Priority Tax Claims and certain other post-confirmation expenses and obligations.

Credit Bidding Will be Allowed Pursuant to Sections 1129(b)(2)(A)(ii) and 363(k). A Debtor may seek authority to sell assets under a plan. *See generally Radlax Gateway Hotel, LLC v. Amalgamated Bank*, 566 U.S. __, 132 S.Ct. 2065 (2012). A plan may be permitted, if certain requirements are met, even if all classes of claims do not consent to the plan – this scenario is referred to as a "cramdown" plan. *See id.* If all applicable requirements of section 1129(a) of the Bankruptcy Code are met with respect to a plan, other than paragraph (8), a court, shall confirm the plan if the plan does not discriminate unfairly, and is fair and equitable, with respect to each class of claims or interests that is impaired under, and has not accepted, the plan. *See* 11 U.S.C. § 1129(b)(1). Section 1129(b)(2)(A) of the Bankruptcy Code establishes three options or criteria for determining whether a cramdown plan is fair and equitable with respect to secured claims, however, only one of those options involves a sale of assets. *See* 11 U.S.C. § 1129(b)(2)(A). If a sale occurs, any lien on the sold property will attach to the sale proceeds and any such secured lender will be permitted to credit bid pursuant to section 363(k) of the Bankruptcy Code. *See* 11 U.S.C. §§ 1129(b)(2)(A)(ii) and 363(k); *see also Radlax Gateway Hotel, LLC v. Amalgamated Bank*, 566 U.S. __, 132 S.Ct. 2065 (2012). Accordingly, in this case, secured creditors are permitted to credit bid.

FirstMerit's 1111(b) Election. On July 13, 2016, FirstMerit provided notice that it elected treatment of its Claim under section 1111(b)(2) of the Bankruptcy Code. *See* Docket No. 287. Generally, the Bankruptcy Code provides two protections to secured creditors: (a) a section 1111(b) election, 11 U.S.C. § 1111(b); or (b) credit bidding, see 11 U.S.C. § 363(k). A section 1111(b) election, allows a secured creditor to insist on payment in a plan of the full gross amount of its claim regardless of the court's valuation of the collateral. A Section 1111(b) election is not available to a creditor who can credit bid at a sale. *See* 11 U.S.C. § 1111(b)(1)(B)(ii) and

1111(b)(1)(A)(ii). Accordingly, because this Plan includes a sale of the Debtor's Assets and credit bids are permitted, FirstMerit's section 1111(b)(2) election is no longer relevant or applicable. *See* 11 U.S.C. 1111(b)(1)(A) and (B) (precluding a section 1111(b)(2) election if property is sold under section 363 or is to be sold under the plan).

FirstMerit's Asserted Superpriority Claim. FirstMerit referenced in its notice of 1111(b) election and during a hearing held on July 6, 2016 that it holds a superpriority administrative expense Claim pursuant to cash collateral orders entered by this Court. FirstMerit has not described in detail exactly what dollar amount it believes holds superpriority status. Pursuant to the Seventh Interim Order (I) Authorizing Postpetition Use of Cash Collateral, (II) Granting Adequate Protection to the Pre-Petition Lenders, (III) Scheduling a Final Hearing Pursuant to Bankruptcy Rule 4001, and (IV) Granting Related Relief, Docket No. 280 (the "Seventh Cash Collateral Order"), FirstMerit's superpriority claim rights are vague, ambiguous, and unclear. At best, FirstMerit only holds a superpriority Claim in the amount of $16,185 for each of the post-bankruptcy monthly payments paid to FirstMerit. *See* Seventh Cash Collateral Order at ¶ 10(a). Although not expressly stated anywhere, FirstMerit appears to believe that it holds a superpriority Claim in the entire amount of its asserted Claim of $4.6 million. However, the Seventh Cash Collateral Order does not provide that FirstMerit's entire $4.6 million asserted Claim is elevated to superpriority status. It would be unusual and extraordinary for any cash collateral order to provide a secured lender with a superpriority claim for the entire amount of its loan without providing debtor in possession post-bankruptcy financing. *See generally* 11 U.S.C. § 364(c)(1). Providing any creditor with superpriority status is outside of the normal priority structure of the Bankruptcy Code and should be clearly and unambiguously provided for in the text of an order.

In this case, the text of the Seventh Cash Collateral Order not only does not expressly provide FirstMerit with a superpriority Claim in the entire amount of its Claim, it contradicts such treatment. Paragraph 9 of the Seventh Cash Collateral Order provides that:

> The Lender is entitled to adequate protection of its interests in the Pre-petition Collateral as of the Petition Date (including, without limitation, its Cash Collateral) in an amount equal to the aggregate post-petition diminution in value, if any, of such interests from and after the Petition Date (such diminution in value, the "Adequate Protection Obligations").

Paragraph 9 specifically limits the Adequate Protection Obligations to include only the adequate protection provisions which make up the post-petition diminution value of the Debtor's Assets. Paragraph 10(a) provides to FirstMerit monthly payments which protect FirstMerit from the diminution in value of the Debtor's Assets. Therefore, although not yet asserted formally, it is reasonable for FirstMerit to hold a superpriority Claim related to the post-bankruptcy monthly adequate protection payments of $16,185, paid during this Chapter 11 Case.

Paragraph 10(b) of the Seventh Cash Collateral Order provides for a superpriority claim "on account of the Adequate Protection Obligations", which as stated above, only include amounts equal to diminution in value of cash collateral. In paragraph 10(c) of the Seventh Cash Collateral Order, Adequate Protection Liens are discussed. Paragraph 10(c)(i) provides for liens

on "previously unencumbered property". Paragraph 10(c)(ii) provides for liens that are junior to existing liens. Paragraph 10(d) provides that "The Adequate Protection Liens granted to the Lender hereunder shall have the same relative priority as the Pre-petition Liens held by the Lender as of the Petition Date." Accordingly, FirstMerit's Adequate Protection Liens provide it with a first priority lien on the Debtor's Assets, which will attach to sale proceeds, but do not provide FirstMerit with a superpriority Claim in the full amount of its asserted $4.6 million Claim amount, and if this Plan is approved, the Debtor will make Claim distributions as set forth in this Plan with any superpriority Claim asserted by FirstMerit limited to the monthly adequate protection payments of $16,185 paid during the pre-confirmation portion of this Chapter 11.

A. Summary of Classes, Distributions, and Voting

There are 7 Classes of Claims established under the Plan. The classified and un-classifed Claims and their treatment are as follows:

Unclassified Claims –– Unclassified claims include Administrative Claims, Statutory Fees, and Priority Tax Claims. Each holder of an unclassified unsecured Claim shall receive, in full satisfaction of its Claim, as soon as practicable after the Effective Date, Cash equal to 100% of the amount of such Allowed Claim.

Classified Claims and Equity Interests – Classified Claims and Equity Interests will be treated as follows:

Class	Estimated Value of Claims	Estimated Percentage Distribution	Treatment	Voting
Class 1, Other Priority Claims	$0	100%	Unimpaired	No, deemed to accept
Class 2A, Secured Claim of FirstMerit Bank, N.A.	$1,400,000	100%	Impaired	Yes
Class 2B, Deficiency Claim of FirstMerit Bank, N.A.	$3,208,369.85	$25,000 plus pro rata portion of $250,000	Impaired	Yes
Class 3, Secured Claim of BFS	$972,642	pro rata portion of $250,000	Impaired	Yes
Class 4, Secured Claim of Chase Bank	$6,500	100%	Unimpaired	No, deemed to accept
Class 5, Secured Claim of Equity Management	$200,000	pro rata portion of $250,000	Impaired	Yes
Class 6, General Unsecured Claims	$2,488,423.28	pro rata portion of $250,000	Impaired	Yes
Class 7, Equity	$8,084,122.66	0%	Impaired	No, deemed to reject

Interests				

B. Conditions Precedent to the Effective Date of the Plan

As set forth below, there are conditions precedent to the Effective Date of the Plan. The Effective Date is defined in the Plan as the date identified by the Debtor or the Debtor's Representative, which shall be as soon as practicable after the entry of the Confirmation Order. The following are conditions precedent to the Effective Date that must be satisfied, occur simultaneously with the Effective Date, or be waived:

a. The Bankruptcy Court shall have entered an order approving the Disclosure Statement pursuant to section 1125 of the Bankruptcy Code;
b. If a Competing Bid is received, then the bid submitted by Mr. Schottenstein shall be identified as the highest and best bid by the Debtor;
c. The Plan Confirmation Order shall have been signed and entered by the Bankruptcy Court;
d. Either the Plan Confirmation Order shall have become a Final Order or there shall not be any stay in effect with respect to the Confirmation Order and the Confirmation Order shall not have been vacated, reversed, modified or amended in any material respects without prior written consent of the Debtor; and
e. The Closing related to the Schottenstein APA shall have occurred and substantially all of the Debtor's Assets shall have been transferred to the New Company.

CONFIRMATION AND THE OCCURRENCE OF THE EFFECTIVE DATE WILL HAVE A MATERIAL IMPACT ON CERTAIN LEGAL AND EQUITABLE RIGHTS OF THE HOLDERS OF CLAIMS. Pursuant to Bankruptcy Rule 2002(f)(7), if the Bankruptcy Court confirms the Plan pursuant to section 1129 of the Bankruptcy Code, the **Debtor shall serve on all parties in interest a notice of the entry of the Plan Confirmation Order.**

III. BACKGROUND – THE DEBTOR AND THEIR CHAPTER 11 FILING

A. Business Operations

The Debtor, Affordable Med Scrubs, LLC, was founded in 2004 and is registered as an Ohio limited liability company. For tax purposes, the Debtor operates as a partnership with its members personally paying the proportionate share of taxes on business income based on an operating agreement. The Debtor is privately owned. The Debtor also operates under the trade name AMS Uniforms. The Debtor is headquartered in Lima, Ohio and operates a production facility and warehouse encompassing one hundred twenty thousand (120,000) square feet of work space. The Debtor is a customer service driven company that manufactures and distributes its own proprietary line of high quality, value priced products. The Debtor supplies a broad mix of garments, bags, instruments, and accessories for the education and career college markets, including medical scrubs, lab coats, chef's apparel, nursing uniforms, veterinary work wear, and emergency medical garments. The Debtor also provides customized kitting services specifically designed to meet the unique requirements needed for training aspiring career professionals. For

example, the Debtor will package medical scrubs, lab coats, instruments (e.g., stethoscope, blood pressure cuffs, and scissors), and medical/surgical supplies (e.g., bandages, thermometer, and syringes) into a customer branded carrying bag for use in training medical assistants and nurses.

With extensive international sourcing capabilities from different countries, the Debtor provides factory direct savings to the end customer on a superior line of products. While the Debtor offers a wide selection of apparel sizes (from 3XS to 10XL) needed to outfit an entire college class, the Debtor intentionally supplies basic styles and limited colors to eliminate fashion risk and maintain value pricing. In addition, the Debtor offers embroidery and screen printing capabilities that allow customized enhancements and branding of products by colleges for their students. The Debtor focuses on providing excellent service by tailoring programs to fit customer's needs for sizes, colors, training requirements and timely delivery.

The Debtor sells its products and services to the postsecondary education and training markets encompassing career colleges, technical institutes, universities, and community colleges throughout the United States and Canada. The Debtor has developed specific expertise in supplying the medical/healthcare market, which is one of the fastest growing segments driven by the expanding need for training of medical assistants, nurses, and emergency medical technicians to support the medical needs of a growing and aging North American population.

The Debtor has approximately 50 employees, with sales people working in Ohio, Indiana, Florida, and Georgia and management, accounting, manufacturing, and distribution employees working in Lima, Ohio. The sales people are responsible for managing existing customer relationships and calling on new customer prospects. The sales people are supported by inside sales people and several customer service representatives who assist customers with logo design, process and track orders, and address any other customer service matters. Employees of the Debtor also maintain the Debtor's website (www.amsuniforms.com), attend industry trade shows, prepare the product catalog, email flyers to potential customers, prepare personalized websites for every customer to use as an ordering portal, load and unload products, provide inventory control, package kits, prepare custom made bags and other out-going distributions, and provide embroidery and screen printing services. The Debtor operates one production shift five days a week. The average wage rate for full-time, hourly employees ranges from $8.10 to $13.00 per hour depending on the department and experience level required. The Debtor's employees are not unionized.

B. Events Leading to the Bankruptcy Filing

Losses after investment in retail. Toward the end of 2013, the Debtor shut down a wholly owned subsidiary referred to as AMS Retail, which had incurred losses for two years. In 2011, the former Chief Executive Officer ("CEO"), Theodore Ralston, expanded operations to include retail distribution through stores. The Debtor acquired the assets of MarkFore, a company based in Fort Wayne, Indiana, that provided screen printing services, promotional and marketing products, and sold medical scrubs, uniforms and accessories to retail customers. The Debtor opened retail storefronts in Indiana, Ohio and Pennsylvania. Expansion into retail selling through stores resulted in significant drain of cash and resources. After experiencing significant losses in AMS Retail during 2012-2013, the AMS Retail division was shut down at the end of 2013 and the stores were closed or sold.

Former CEO, Theodore Ralston. Analysis was performed beginning in April 2014 that resulted in the discovery of several improper financial choices by Mr. Ralston. The combination of the AMS Retail losses and inappropriate financial actions of Mr. Ralston drained significant financial resources from the Debtor and severely impacted the working capital needs of the Debtor's core business. Mr. Ralston initiated personal bankruptcy proceedings in May 2016.

New CEO, Rob Zubrow. Rob Zubrow was promoted to CEO in August 2014 and has managed the business throughout the bankruptcy. Mr. Zubrow previously served as the Debtor's Chief Operations Officer.

Pre-bankruptcy FirstMerit Matters. FirstMerit provided financing to the Debtor through an asset based Business Loan Agreement, dated August 1, 2012, as amended thereafter, with principal amount of $4,000,000, secured by substantially all of the Debtor's assets. Some or all of the Debtor's financial obligations outstanding with FirstMerit's matured and were due in full on September 25, 2015. The Debtor initiated Chapter 11 bankruptcy proceedings on October 24, 2015.

In or around June 2014, Theodore Ralston, the Debtor's former CEO, Rob Zubrow, the Debtor's current CEO, and Rob Thomas, FirstMerit's Regional Credit Officer, reviewed year end results. FirstMerit approved the extension of the Debtor's line of credit to August 2015, and a five hundred thousand dollars ($500,000) note to eventually be termed out thirty-six (36) or forty-eight (48) months. FirstMerit agreed to advance three hundred thousand dollars ($300,000) immediately with two hundred thousand ($200,000) to be distributed upon the Debtor's receipt of a firm mezzanine loan facility offer. *See* Statement of Robert Zubrow [Docket No. 98] at par. 20.

In an email dated July 1, 2014 to Ralston and Zubrow, Rob Thomas confirmed FirstMerit's loan committee approval of loan(s) maturing August 1, 2015, confirming that $300,000 would be distributed at closing, with the remaining $200,000 distributed with receipt of a subordinate debt or equity commitment acceptable to FirstMerit. *See id.* at par. 21.

In or around August 2014, Rob Thomas referred Laux & Company investment bankers to Zubrow as possible contacts for mezzanine subordinated lenders. *See id.* at par. 23.

In or around October 2014, FirstMerit's Rob Thomas extended maturity on the $500K loan to December 15, 2014. *See id.* at par. 28.

On or around November 20, 2014, the Debtor asked Laux & Company to forward to Rob Thomas a term sheet for four million dollars ($4,000,000.00) in subordinated debt financing from Medallion Capital. *See id.* at par. 30. Ultimately, during this timeframe, the Debtor received two term sheets from two different lenders.

On or around December 1, 2014, previously agreed upon terms promised by FirstMerit were contradicted at an in-person meeting that was attended by FirstMerit's Rob Thomas, Sterling Morris and Scott Kriz, and the Debtor's Zubrow and Sheehan (the "In Person Meeting"). Morris indicated that his office would now handle the Debtor's relationship with FirstMerit. Morris would not commit to extending the $500,000 note beyond December 15, 2014, and explained that the $200,000 would not be distributed, as previously promised and agreed to by

FirstMerit's representatives. Morris further contradicted previous agreed terms by stating that the subordinated mezzanine debt that FirstMerit previously encouraged the Debtor to obtain, if initiated, would violate agreements with FirstMerit. Simply stated, the Debtor was prohibited by FirstMerit from obtaining new debt that was intended to pay-off a substantial amount of the Debtor's obligation to FirstMerit. *See id.* at par. 31.

At the December 1, 2014 In Person Meeting, the Debtor informed FirstMerit that the Debtor was moving to a new location. FirstMerit did not oppose the move. However, in early January 2015, Morris expressed his displeasure with the fact that the Debtor had signed a lease without FirstMerit's prior approval. Morris said that the Debtor did not have approval from FirstMerit to move, nor to sign a new lease.

An unexplained fee of twenty-one thousand twenty-seven and 60/100 dollars was added to the Debtor's balance at FirstMerit in December 2014. *See* Zubrow Affidavit at par. 33.

In or around May 2015, FirstMerit cut off the Debtor's credit card account without notice despite the fact that there were no uncured defaults. Preventing the Debtor from using such credit card account created a hardship because the Debtor relied on this account for making domestic purchases important to operations. In or around May 2015, FirstMerit also cut off the Debtor's line of credit. The line of credit was available to the Debtor in June, and was cut off again in October 2015.

On or around June 10, 2015, FirstMerit obtained a loan modification agreement from the Debtor extending funding through September 2015, including a release of all claims the Debtor may have against FirstMerit.

In a letter dated October 8, 2015, sixteen days before the Debtor initiated Chapter 11 bankruptcy, FirstMerit admitted to transferring, without the Debtor's permission, two hundred twenty-seven thousand sixteen and 84/100 dollars ($227,016.84) of cash collateral held in a FirstMerit account to pay unsecured credit card amounts due to FirstMerit. The Debtor believes that this transfer is likely avoidable as a preference action, pursuant to section 547 of the Bankruptcy Code. Seventy-three thousand one hundred twenty-eight and 61/100 dollars ($73,128.61) was transferred by FirstMerit, without permission, to pay a portion of the most recently funded secured loan.

In the same letter dated October 8, 2015, FirstMerit admitted that, without the Debtor's permission, FirstMerit also transferred nineteen thousand four hundred ninety-one dollars ($19,491) in cash from the Debtor's operating account, again applying the funds to Debtor's unsecured credit card obligations. The Debtor believes that this transfer is also likely avoidable as a preference action, pursuant to section 547 of the Bankruptcy Code.

In or around October 2015, without warning or notice, FirstMerit did not clear two duty payments to the Federal Government, Department of Homeland Security, creating a significant hardship for the Debtor.

Within the week before AMS initiated Chapter 11 bankruptcy, FirstMerit stopped funding the Debtor and sent letters to the Debtor's customers directing them to mail payments directly to FirstMerit. *See* Zubrow Statement [Docket No. 98] at par. 36.

The extraordinary control exerted by FirstMerit, in contradiction with earlier agreements between the Debtor and other FirstMerit representatives, may give rise to lender liability causes of action against FirstMerit.

C. Chapter 11 Bankruptcy

The Debtor, through its initial attorney, James Perlman, initiated chapter 11 bankruptcy on October 24, 2015.

Hearings on the continued use of cash collateral were held on: October 29, 2015; November 25, 2015; December 1, 2015; December 22-23, 2015; January 11, 2016; February 8, 2015; March 30, 2016; and July 6, 2016.

On December 10, 2015, FirstMerit filed a motion seeking a 2004 examination seeking documents. The Debtors provided certain documents agreed to be reasonable between the parties.

On December 17, 2015 and December 18, 2015, respectively, FirstMerit and the U.S. Trustee's Office objected to the Debtor retaining and paying Mr. Zubrow as CEO. The application seeking retention of Mr. Zubrow as a professional was withdrawn, however, at the January 11th hearing, the Court authorized compensation payments to Mr. Zubrow as an employee.

On December 21, 2015, creditor Equity Management Group, LLC sought relief from stay. Both the Debtor and FirstMerit objected to Equity Management's motion.

On January 5, 2016, attorney Sherri Dahl of Dahl Law LLC was engaged to represent the Debtor in its chapter 11 matters; Ms. Dahl's retention as a professional was authorized by the Court on January 28, 2016. On January 8, 2016, financial advisor, Patricia Missal, of The Numbers Group was engaged. On March 29, 2016, the Court entered a memorandum decision providing that Ms. Missal's retention would be authorized contingent upon submission of an engagement letter without indemnification provisions. Such engagement letter was revised and filed with the Court on April 1, 2016. *See* Docket No. 196.

On February 9, 2016, the Debtor filed an expedited motion seeking authority to use cash collateral on expenses related to obtaining financing, which was authorized on February 18, 2016. *See* Docket Nos. 145, 156.

On March 8, 2016, FirstMerit filed a plan and disclosure statement seeking appointment of a liquidating trustee. *See* Docket Nos. 171-72. FirstMerit also sought expedited review and hearing of the disclosure statement, see Docket No. 173, which was opposed by the Debtor, see Docket No. 173; expedited review was denied on April 8, 2016, see Docket No. 204. The Debtor, the U.S. Trustee's Office, Business Financial Services, Inc. aka Small Business Term Loans, Inc., FirstCare Solutions Limited objected to FirstMerit's disclosure statement. *See* Docket No. 182, 223, 225. FirstMerit filed an amended disclosure statement on April 14, 2016, see Docket No. 209, and a second amended disclosure statement on May 17, 2016, see Docket No. 234. In an order entered on July 5, 2016, the Court did not approve FirstMerit's second amended disclosure statement. *See* Docket No. 267.

On March 9, 2016, the Debtor initiated an adversary proceeding seeking injunction of collection against Mr. Zubrow, personally, related to signed personal guaranties. *See* Adv. Proc. 16-03017. FirstMerit sought dismissal of the injunction action, see Docket Nos. 6-7, which was denied, see Docket No. 16.

On March 30, 2016, the Court entered an order setting a claims bar date of May 2, 2016 as the deadline for filing proofs of claim.

On April 15, 2016, the Debtor sought the appointment of an examiner or amendment to the sixth interim cash collateral order, allowing investigation of potential causes of action against FirstMerit. On May 18, Debtor's motion was denied without prejudice for seeking this relief in the future. *See* Docket No. 236.

On May 16, 2016, the Debtor filed a plan of reorganization. *See* Docket No. 229.

On June 23, 2016, the Debtor initiated an adversary proceeding seeking declaratory relief related to the security interests asserted by Business Financial Services, Inc. aka Small Term Business Loans, Inc. *See* Adv. Proc. 16-03053.

On June 24, 2016, FirstMerit sought conversion of the chapter 11 case to chapter 7. *See* Docket No. 244. FirstMerit's conversion motion was denied by an order entered on July 8, 2016. *See* Docket No. 276.

On July 4, 2016, the Debtor filed its First Amended Plan of Reorganization, Docket No. 259, and its Disclosure Statement, Docket No. 260. And on July 11, 2016, the Debtor filed its Second Amended Plan of Reorganization, Docket No. 281, and its First Amended Disclosure Statement, Docket No. 282.

On July 13, 2016, FirstMerit filed Notice of its Section 1111(b) Election. *See* Docket No. 287.

On July 15, 2016, FirstMerit filed a Notice of Debtor's Default Under Seventh Interim Cash Collateral Order, see Docket No. 292, and on July 19, 2016, the Debtor filed the Notice of Debtor's Response to FirstMerit's Asserted Default Under Seventh Interim Cash Collateral Order, Docket No. 293.

D. Post-Confirmation

The New Company. On or before the Effective Date, the board of directors for the New Company shall be established and the New Company (expected to be named AMS Uniforms) shall adopt its new organizational documents. The New Company shall be authorized to adopt other agreements, documents, and instruments and to take any other actions contemplated under the Plan as necessary or desirable for consummation of the Plan and operation of the business following its purchase of substantially all Debtor's Assets.

New Company Stock. The issuance of stock in New Company shall be authorized outside of the Bankruptcy Court by the incorporator of New Company (Mr. Schottenstein) without the need for any corporate action, any further action by the holders of Claims or Equity

Interests or any action of the Bankruptcy Court. On or before the Effective Date, the New Company shall issue the new Company's stock in the ordinary course of its business. All stock to be issued shall be issued as of or prior to the Effective Date.

New Company's Corporate Existence. As described in the Plan, New Company shall exist on and after the Effective Date as a separate Entity in accordance with the applicable law in the State of Ohio, under its organizational documents. New Company shall be formed to operate the assets purchased under the Schottenstein APA and to satisfy its obligations thereunder and under the Plan. On the Effective Date, Mr. Schottenstein shall own 100% of the equity in New Company. Accordingly, the Plan complies with section 1123(a)(6) of the Bankruptcy Code, a provision prohibiting the issuance of non-voting equity interests.

Directors, Executive Officers, and Interest Holders of the New Company. On the Effective Date, the term of each member of the Debtor's current board of directors will automatically expire. The board of New Company will consist of 3 directors, which will be Jeff Schottenstein, Chris Giles, and Dan Sisiski all of which shall be elected by Mr. Schottenstein in his sole discretion. The President, CEO, and Secretary of the New Company shall be Robert Zubrow, who shall be appointed by the board of directors of New Company. Zubrow's annual compensation shall be $240,000. The board of directors of New Company shall have the responsibility for the oversight of the New Company on and after the Effective Date. The New Company shall initially be located at 2190 Allentown Road, Lima, Ohio 45805. All stock in New Company shall be held by Mr. Schottenstein or an affiliated entity.

After the Closing Date and the Effective Date, the equity interests of the New Company shall be held as follows:

Name	% Equity	New Value
Mr. Schottenstein or an affiliated entity	100%	$1,400,000

IV. THE DEBTOR'S PLAN OF REORGANIZATION

A. Purpose of the Plan

The Debtor proposes this Plan in an effort to expedite the emergence of the Debtor from bankruptcy while providing for the administration of creditors' Claims in an efficient, less expensive manner than if the Debtor's assets were liquidated through a Chapter 7 bankruptcy or by other means. If approved, the Plan terms would (a) significantly reduce the costs incurred by the Debtor's Estate in bankruptcy by eliminating the need for paying a Chapter 7 trustee, Liquidating Trust trustee, and their respective professionals, (b) allow for the distribution of funds to all of the Debtor's creditors, and (c) allow for the costs associated with post-Plan confirmation activities, including claims administration, tax preparation, and litigation, if any, to be borne by the New Company, rather than subtracted from distributions to creditors.

B. Post-Confirmation Administration

1. New Company and the Debtor's Representative

On the Effective Date, the Debtor shall be deemed to have transferred, conveyed and assigned the Debtor's Assets to the New Company. The New Company and the Debtor's Representative shall: (i) administer Claims of the Debtor's Estate, (ii) analyze, prosecute, if necessary, and resolve disputed Claims and Causes of Action, if warranted, in the sole discretion of the New Company and the Debtor's Representative, (iii) make all distributions provided for under the Plan to Allowed Claims, and (iv) prepare and file all reports and tax returns and pay fees or taxes required by the U.S. Trustee's Office or any other governmental entity.

Except as otherwise provided in the Plan or in any contract, instrument, release or other agreement or document entered into in connection with the Plan, pursuant to Section 1123(b) of the Bankruptcy Code, the New Company, and the Debtor's Representative and his or her successors shall retain and may enforce any Causes of Action, including the Avoidance Actions, that any of the Debtor may hold against any entity, whether or not filed prior to the Confirmation Date. Any proceeds obtained from the Causes of Action shall be obtained for the benefit of the New Company and shall not impact or increase any distribution to any creditor Class.

2. The Debtor's Representative

The Debtor's Representative shall be Robert Zubrow, or such other individual as designated by the New Company. If approved by the Bankruptcy Court, Robert Zubrow shall become the Debtor's Representative on the Effective Date. The Debtor's Representative shall have and perform all of the duties, responsibilities, rights, and obligations set forth in this Plan. The Debtor's Representative may be removed by the New Company for cause shown (or if Debtor's Representative resigns from New Company) or he may resign at his discretion.

3. Assets Conveyed to the New Company

If the Plan is approved, as of the Closing Date and Effective Date the Debtor shall convey the following assets which shall vest in the New Company for the benefit of the New Company:

(a) tangible personal property (such as and including machinery, equipment, inventories of raw materials and supplies, manufactured and purchased goods and apparel, goods in process and finished goods, furniture, automobiles, trucks, tractors, trailers, tools, jigs, and dies),

(b) intellectual property, goodwill associated therewith, licenses and sublicenses granted and obtained with respect thereto, and rights thereunder, remedies against past, present, and future infringements thereof, and rights to protection of past, present, and future interests therein under the laws of all jurisdictions,

(c) leases, subleases, and rights thereunder,

(d) agreements, contracts, indentures, mortgages, instruments, liens, guaranties, other similar arrangements, and rights thereunder,

(e) cash, cash equivalents, accounts, notes, and other receivables,

(f) securities,

(g) claims, deposits, prepayments, refunds, causes of action, choses in action, rights of recovery, rights of set-off, and rights of recoupment,

(h) subject to the provisions of Section 363(b)(1)(A) of the Bankruptcy Code, all goodwill and other intangible assets associated with the business of the Seller and/or the purchased assets, including all customer and supplier lists and the goodwill associated with the any property owned by the Debtor,

(i) all claims and Causes of Action of the Debtor, expressly including all claims and Causes of Action arising under Chapter 5 of the Bankruptcy Code, arising under or in respect of the business of the Debtor and/or any Purchased Asset,

(j) subject to the provisions of Section 363(b)(1)(A) of the Bankruptcy Code, all rights to the telephone and facsimile numbers and email addresses used by Debtor, as well as rights to receive mail and other communications addressed to Debtor (including mail and communications from customers, suppliers, distributors and agents),

(k) franchises, approvals, permits, licenses, orders, registrations, certificates, variances, and similar rights obtained from governments and governmental agencies, and

(l) books, records, ledgers, files, documents, correspondence, lists, plats, architectural plans, drawings, and specifications, creative materials, advertising and promotional materials, studies, reports, and other printed or written materials.

As of the Closing Date and Effective Date, all such Debtor's Assets will be owned by the New Company and administered, prosecuted and distributed by the New Company and the Debtor's Representative, who will also assume the role of administrator for the purpose of carrying out all provisions of the Plan, subject in all respects to the Plan and orders entered and to be entered by the Bankruptcy Court in these Chapter 11 Case. **Notwithstanding any acquisition of assets by New Company, New Company shall not assume any Claims or obligations of the Debtor, except as expressly stated in the Plan or the Schottenstein APA.**

The New Company through the Debtor's Representative shall have the authority to, among other things:

(a) Perform all of the Obligations of the New Company as set forth in this Plan;

(b) Commence, continue, prosecute, litigate and/or settle and compromise Causes of Action on behalf of the New Company for the benefit of the New Company;

(c) Object to any Claims and compromise or settle any Claims;

(d) Make distributions on Claims;

(e) Retain and/or terminate professional persons to assist in the duties and responsibilities ascribed to the New Company and the Debtor's Representative pursuant to this Plan. Post-confirmation expenses, including the reasonable fees and expenses of professionals shall be paid by the New Company.

(f) Satisfy all reporting requirements related to the Obligations to all relevant reporting authorities;

(g) File with the Bankruptcy Court quarterly reports and pay corresponding U.S. Trustee fees, regarding the Obligations;

(h) Except as otherwise ordered by the Bankruptcy Court, and subject to the terms of the Plan, pay any fees and expenses incurred related to the Obligaitons on or after the Effective Date; and

(i) Liquidate or abandon, as the case may be, Debtor's Estate Assets. Liquidation or abandonment will be determined by the cost versus potential value obtained through liquidation.

4. Authority to Prosecute Claims Objections

After the Effective Date, the New Company and the Debtor's Representative shall have the sole authority to file, settle, compromise, withdraw, or litigate to judgment objections to Claims.

5. Termination of the Duties of the Debtor's Representative

Termination of the duties of the Debtor's Representative shall occur after distributions have been made on all Allowed Claims as prescribed by the priorities set forth in the Bankruptcy Code and this Plan.

C. Cancellation of Obligations

On the Effective Date, all notes, stock, instruments, certificates, and other documents evidencing obligations of the Debtor other than as allowed under the Plan, shall be canceled, shall be of no further force, whether surrendered for cancellation or otherwise, and the obligations of the Debtor thereunder or in any way related thereto shall be terminated.

D. Corporate Action

Prior to, on or after the Effective Date, as applicable, all matters provided for hereunder that would otherwise require approval of the shareholders, members, managers, partners or directors of the Debtor shall be deemed to have been so approved and shall be in effect prior to,

on or after the Effective Date, as applicable, pursuant to applicable state law, including the general corporation law of the State of Ohio, without any requirement of further action by shareholders, members, directors, managers or partners of the Debtor.

Upon the Effective Date, the Debtor, New Company, and the Debtor's Representative shall be authorized to execute, deliver, file or record such contracts, instruments, releases and other agreements or documents and take such actions as may be necessary or appropriate to effectuate, implement and further evidence the terms and conditions hereof, including, on the Effective Date.

E. Preservation of Rights of Action

Causes of Action held by the Debtor shall be conveyed to and shall vest in the New Company, for the sole benefit of the New Company, on the Effective Date. For the avoidance of doubt, liquidation of any Causes of Action may be used to fund the $250,000 General Unsecured Funds as set forth in this Plan, however, if such Causes of Action do not yield $250,000, then the New Company shall contribute such funds. **If the Causes of Action result in more than $250,000, such funds shall be retained by the New Company for its own benefit. There shall be no further, larger, or expanded distributions on Claims of creditors of the Debtor's Estate other than as set forth in this Plan.**

The Debtor's Representative and the New Company may enforce any claims, rights, and causes of action that the pre-confirmation Debtor's Estate may hold against any entity, including, but not limited to, claims against the following third parties:

(i) Theodore Ralston and all corporate entities affiliated with or owned, in whole or in part, by Theodore Ralston;

(ii) FirstMerit Bank, N.A.;

(iii) any legal, accounting firm, or tax preparer that provided services to the Debtor prior to the Effective Date;

(iv) any entity that provided insurance to the Debtor;

(v) any entity or individual that filed a Claim in or is listed on the Schedules of or Statement of Financial Affairs of these Chapter 11 Cases;

(vi) all parties that received transfers in the 90 days before bankruptcy, including, but not limited to: Anthem BCBS OH Group; Burt, Blee, Dixon, Sutton; Firstcare Solutions Ltd.; Friedman & Schuman; Ganghao Industrial Co. Ltd.; McKesson Medical-Surgical; Open Pro Inc.; Plante & Moran; Prestige Medical; Rizhao Fengyuan Textile Co., Ltd.; Scanwell Logistics; Uline; UPS; US Customs & Border Protection; VF Imagewear; FirstMerit Bank; AEP Ohio Power Company; 2200 Allentown LLC; AMS LLC; Shenzhen Longdignrui Technology; Wenzhou Bokang Instruments; W J Benkler; Heritage Sportswear; and Sanmar;

(vii) Parties with pending causes of action against the Debtor, including: Sanmar; Rauf Textiles & Printing Mills; Norber Trust; Rashman Corporation; S&S Activewear; Asian Textile Resources; N.W. Ohio Trophy;

(viii) Boston Retail Partners;

(ix) James Perlman;

(x) David & Kristen Ward; and

(xi) Ward Apparel.

F. Release of Liens

If approved by the Bankruptcy Court, the Debtor shall sell substantially all of the Debtor's Assets free and clear of liens, claims, encumbrances, and interests through the Schottenstein APA. Once the sale is approved, any lien on the sold property will attach to the sale proceeds. All distributions to the secured creditors as set forth in this Plan shall be in full satisfaction, settlement, and release of such Allowed Claim. Specifically, the following creditors shall release all liens and security interests immediately following the distributions described in this Plan: FirstMerit; Business Financial Services, Inc. aka Small Business Term Loans, Inc.; Equity Management; and Chase Bank.

G. Effectuating Documents; Further Transactions; Exemption from Certain Transfer Taxes

Any authorized representative of Debtor, or successor of the Debtor shall be authorized to: (a) execute, deliver, file, or record such contracts, instruments, releases, and other agreements or documents contemplated by or entered into in connection with the Plan; and (b) take such actions as may be necessary or appropriate to effectuate and further evidence the terms and conditions of the Plan. Pursuant to section 1146(c) of the Bankruptcy Code: (a) the creation or transfer of any mortgage, deed of trust or other security interest; (b) the making or assignment of any lease or sublease; (c) the making or delivery of any deed or other instrument of any lease or sublease; (d) or the making or delivery of any deed or other instrument of transfer under, in furtherance of or in connection with the Plan, including any agreements of consolidation, deeds, bills of sale, assignments, assumptions, or delegations of any asset, property, right, liability, duty or obligation; (e) or instruments of transfer executed in connection with any of the foregoing shall not be subject to any stamp tax, real estate transfer tax, or similar tax.

H. Effect of Failure to Consummate Schottenstein APA

If the Schottenstein APA is not approved and the transactions contemplated thereunder not consummated, then all relief called for under the Plan, for the benefit of all creditors, will not be provided.

V. PLAN RISK FACTORS AND CONSIDERATIONS

The Plan and its implementation are subject to certain risks, including, but not limited to the risk factors set forth below. Before voting to accept or reject the Plan, solicited creditors should read and consider carefully the risk factors below, as well as other risks and uncertainties identified in this Disclosure Statement. Such risks should not, however, be regarded as constituting the only risks involved with the Plan. The order in which risk factors are herein presented does not necessarily reflect their order of importance.

For the duration of the Chapter 11 Case, the Debtor's ability to execute the actions necessary to confirm and consummate the Plan will be subject to the risks and uncertainties associated with bankruptcy, including the ability to: (1) obtain approval from the Bankruptcy Court of the sale of substantially all of the Debtor's Assets through the Schottenstein APA; (2) resolve issues with creditors; (3) obtain Bankruptcy Court approval with respect to motions or objections filed from time to time; (4) resolve the Claims against the Debtor in bankruptcy seeking amounts that exceed the Debtor's books and records; (5) obtain approval of this Disclosure Statement; (6) obtain approval of the Plan; (7) liquidate or abandon miscellaneous assets; (8) settle liabilities; and (9) reduce the total cost of professional fees.

There can be no assurance that the requisite acceptances to confirm the Plan will be obtained. Even if the necessary acceptances are received the Bankruptcy Court may not confirm the Plan. A creditor or interest holder might challenge the adequacy of this Disclosure Statement or the balloting procedures and results as not being in compliance with the Bankruptcy Code and/or Bankruptcy Rules. The Bankruptcy Court could decline to confirm the Plan if it finds that any of the statutory requirements for confirmation have not been met. Section 1129 of the Bankruptcy Code requires, among other things, that the value of distributions to non-accepting holders of Claims and Equity Interests within a particular class will not be less than the value of distributions such holders would receive if the Debtor were liquidated under Chapter 7 of the Bankruptcy Code. While there can be no assurance that the Bankruptcy Court will conclude that this requirement is met, the Debtor believes that, under the Plan, non-accepting holders within each class will receive greater distributions then they would receive in a liquidation pursuant to Chapter 7.

If the Plan does not meet the requirements of the Bankruptcy Code, then the Debtor's Chapter 11 Case may be continued, converted to Chapter 7 liquidation or dismissed upon the Bankruptcy Court's approval.

The continuation of the Chapter 11 Case, if the Plan is not confirmed or consummated in the timeframe contemplated, could further adversely affect the Debtor's ability to maximize the value of the Debtor's assets. If the Plan is not confirmed expeditiously, then the Chapter 11 Case could incur increased professional fees and other expenses, Mr. Schottenstein may terminate the Schottenstein APA and refuse to purchase the Debtor's Assets.

VI. DISTRIBUTIONS UNDER THE PLAN

A. Means of Cash Payments

If the Schottenstein APA represents the highest and best bid to purchase substantially all

of the Debtor's Assets, and if this Plan is approved, then on the Closing Date and/or Effective Date, Mr. Schottenstein or one of his affiliated entities will transfer $1,400,000 to the New Company in exchange for the Debtor's Assets. On the Effective Date, or as soon as practicable thereafter, the New Company will transfer $1,400,000 to FirstMerit in full and final satisfaction of its Class 2A Claim.

On or following the Effective Date, Mr. Schottenstein will also arrange for a line of credit, for the benefit of the New Company, in an amount that is not less than $1,000,000 (the "Revolving Credit Line") for future operations and to satisfy obligations of New Company (including possibly those created under the Plan). Whereas, the Debtor or New Company likely would be unable to arrange for any form of credit line, independently, once FirstMerit's lien is removed from the Debtor's assets, and with the backing of Mr. Schottenstein, the New Company shall qualify for credit. Mr. Schottenstein has previously done business with other commercial lenders, when restructuring other distressed business operations, and believes that such other commercial lenders will provide funding for the Revolving Credit Line.

As soon as practicable after the Effective Date, the New Company shall pay and fully satisfy all Administrative Claims, Priority Tax Claims, and the Class 4 Claim of Chase Bank ($6,500). Certain tax liabilities for 2015 and 2016 are unknown and will be paid as Priority and Administrative Claims. Currently, the Debtor estimates that Priority Claims are approximately $141,950.24, without including the 2015 and 2016 tax claims.

Approximately one year after the Effective Date, FirstMerit's Class 2B deficiency Claim will receive in full and final satisfaction of such Claim, $25,000 plus its pro rata portion of $250,000. That same $250,000 shall be shared pro rata among all creditors holding unsecured Claims.

As discussed above, the General Unsecured Claims will share with Claims in Classes 2B, 3, 5 and 6 a distribution one year after the Effective Date of $250,000, divided pro rata among all such Claims. If the New Company and the Debtor's Representative are able to negotiate a reduction of any of the Claims in these classes, then the distribution to each other creditor could be increased.

Cash payments made pursuant to the Plan will be in U.S. dollars by checks drawn on a domestic bank selected by the New Company or by wire transfer from a domestic bank, at the option of the New Company and the Debtor's Representative.

B. Compliance with Tax Requirements

In connection with the Plan, to the extent applicable, the Debtor, the New Company and the Debtor's Representative will comply with all tax withholding and reporting requirements imposed on them by any governmental unit, and all distributions pursuant to the Plan will be subject to such withholding and reporting requirements. The Debtor's Representative will be authorized to take any and all actions that may be necessary or appropriate to comply with such withholding and reporting requirements. Each holder of a Claim must complete a Form w-9 Request for Taxpayer Identification Number and Certification, prior to receiving any distribution from the New Company.

Notwithstanding any other provision of the Plan, each entity receiving a distribution of Cash pursuant to the Plan will have sole and exclusive responsibility for the satisfaction and payment of any tax obligations imposed by any governmental unit, including income, withholding and other tax obligations, on account of such distribution.

C. Set-offs

The Debtor, the New Company and the Debtor's Representative, as the case may be, may, pursuant to section 553 of the Bankruptcy Code or applicable non-bankruptcy law, set-off against any Allowed Claim against the Debtor, and the distributions to be made pursuant to the Plan on account of such Claim (before any distribution is made on account of such Claim), the claims, debts, rights and causes of action of any nature that the Debtor or the Debtor's Estate may hold against the holder of an Allowed Claim against the Debtor's Estate; provided, however, that neither the failure to effect such a set-off nor the allowance of any Claim hereunder will constitute a waiver or release by the Debtor's Estate of any such claims, debts, rights and causes of action that such parties may possess against such holder.

D. Treatment of Disputed Claims

No payments or distributions on a Claim shall be made if any portion of such Claim against the Debtor is a Disputed Claim, until all of the objections to such Claim or portion of such Claim have been determined by a Final Order of the Bankruptcy Court or agreement between the Debtor's Representative and the holder of an Allowed Claim. Any payment or distribution which otherwise would have been made on account of such Claim had it been allowed will be held in reserve by the New Company against whom the Claim is made, pending a determination of the allowance of the Claim.

In the event that a Disputed Claim is resolved by the allowance of such Claim in whole or in part, the Debtor's Representative will make the appropriate distribution to the holder of such Claim in accordance with the provisions of the Plan.

E. Authority to Prosecute Objections

From and after the Effective Date, New Company shall have the exclusive authority to file objections to Claims and may settle or compromise any Cause of Action or Claim.

F. Classification and Treatment of Claims and Interests

The bar date deadline for filing proofs of claim and interests in this case was May 2, 2016. All Claims and Interests, except unclassified claims, such as Administrative Claims and Priority Tax Claims, are placed in the Classes set out in the Plan, as summarized below. In accordance with section 1123(a)(1) of the Bankruptcy Code, Administrative Claims and Priority Tax Claims have not been classified. A Claim or Interest is classified in a particular Class only to the extent that the Claim or Interest qualifies within the description of that Class and is classified in other Classes only to the extent that any remainder of the Claim or Interest qualifies within the description of such other Classes. A Claim or Interest is also classified in a particular Class only to the extent that such Claim or Interest is an Allowed Claim or Allowed Interest in that Class and has not been paid, released or otherwise satisfied prior to the Effective Date.

G. Administrative Claims

Administrative Claims include Claims for costs and expenses of administration allowed under sections 503(b) and 507(b) of the Bankruptcy Code, including: (a) the actual and necessary costs and expenses incurred after the bankruptcy of preserving the Debtor's Estate and operating the business of the Debtor (such as wages, salaries, commissions for services, and payments for inventories, leased equipment, and premises); (b) compensation for legal, financial, and business advisory, accounting, and other services and reimbursement of expenses awarded or allowed under section 330(a) or 331 of the Bankruptcy Code; and (c) all fees and charges assessed against the Debtor's under chapter 123 of title 28, United States Code, 28 U.S.C. §§ 1911-1930.

Subject to the provisions of sections 328, 330(a), 331, 503, and 507(a)(2) of the Bankruptcy Code, each holder of an Allowed Administrative Claim against each Debtor will be paid in Cash the full unpaid amount of such Allowed Administrative Claim: (a) as soon as practicable after the Effective Date; (b) if such Claim is Allowed after the Effective Date, on the date such Claim is Allowed or as soon as practicable thereafter; (c) at such time and upon such terms as may be agreed upon by such holder and the Debtor's Representative; or (d) at such time and upon such terms as set forth in an order of the Bankruptcy Court; provided, however, that Administrative Claims do not include Claims filed after the applicable deadline set forth in the Confirmation Order (except as otherwise provided by a separate order of the Bankruptcy Court).

The administrative expenses of the Debtor which will have to be paid in cash in the ordinary course of business, pursuant to prior orders of this Court, or as soon as practicable after the Effective Date, are made up of professional fees, one Claim asserted under section 503(b)(9) of the Bankruptcy Code, and other accounts payable incurred in the ordinary course of business. The Debtor estimates that Administrative Expenses through **August 31, 2016** will total **$223,760.02** as set forth below:

Administrative Expenses	**Estimated Cost on the Effective Date (Through August 31, 2016)**
Dahl Law LLC (S. Dahl)	$59,000.00
The Numbers Group (P. Missal)	$16,500.00
McKesson Medical-Surgical (§503(b)(9))	$3,260.02
Robert Zubrow Compensation & Expenses	$30,000.00
Other Accounts Payable	$115,000.00
TOTAL	**$223,760.02**

Bar Date for Filing Administrative Claims. Except as otherwise provided in this Plan or an order of the Bankruptcy Court, requests for payment of Administrative Claims must be filed with the Bankruptcy Court no later than thirty (30) days after the Effective Date. Holders of Administrative Claims that do not file and serve an application for Administrative Claim by the Administrative Claim Bar Date are forever barred from asserting such Administrative Claim against the Debtor, the Debtor's Estate or their respective property, and any such alleged Administrative Claims will be deemed disallowed as of the Effective Date. The Administrative Claim Objection Bar Date is sixty (60) days after the Effective Date.

Bar Date for Filing Final Professional Compensation Claims. All Fee Claims incurred by Retained Professionals prior to the Effective Date shall be subject to final allowance or disallowance upon application to the Bankruptcy Court pursuant to sections 328 or 330 of the Bankruptcy Code. Final applications for allowance of fees for services rendered in connection with the Chapter 11 Cases shall be filed with the Bankruptcy Court no later than the Fee Claims Bar Date, which is thirty (30) days after the Effective Date. The Fee Claims Objection Bar Date is sixty (60) days after the Effective Date.

H. Priority Tax Claims

The total value of Priority Tax Claims filed against each Debtor is **$138,690.22**, detailed as follows:

Creditor	Filed Priority Claims
Allen County Treasurer	$21,293.53
Internal Revenue Service	$44,437.61
Ohio Bureau of Workers' Compensation	$60,109.08
TOTAL	**$138,690.22**

On the later of (a) the date on which a Priority Tax Claim becomes an Allowed Priority Tax Claim, or (b) as soon as practicable after the Effective Date, the holder of each such Claim will receive on account of such Claim, in accordance with section 1129(a)(9)(C) of the Bankruptcy Code, Cash equal to the un-paid amount of such Allowed Priority Tax Claim.

I. Other Priority Claims

The Debtor does not believe that there are any valid Allowed Other Priority Claims. Theodore Ralston asserted a priority wage claim in the amount of $12,850, however, the Debtor intends to object to this Claim and believes it is wholly invalid and should be zero. However, if any valid Other Priority Claims are discovered, then as soon as practicable after the Effective Date, each holder of an Allowed Other Priority Claim shall receive, in full and final satisfaction of such Claim, full payment in Cash of its Allowed Other Priority Claim.

J. Asserted Secured Claims

Asserted Claim of FirstMerit. FirstMerit asserted Claim number 18 in the amount of $4,608,369.85 as fully secured in all of the assets of the Debtor. The Debtor divides FirstMerit's Claim into two classes, Class 2A, the portion of the FirstMerit Claim secured by the value of the Debtor's assets at confirmation of the Plan, and Class 2B, the deficiency Claim, which is the full amount of FirstMerit's asserted Claim ($4,608,369.85) minus the sale proceeds obtained pursuant to the Schottenstein APA ($1,400,000), creating a deficiency Claim of $3,208,369.85 which is unsecured. The Debtor will distribute to FirstMerit on the Effective Date, $1,400,000. One year after the Effective Date of the Plan, the New Company will distribute $25,000 to FirstMerit, based on its deficiency Claim, plus the pro rata portion of $250,000 contributed by the New Company and shared by Claims in Classes 2B, 3, 5 and 6.

Asserted Claim of BFS. Business Financial Services, Inc. and Small Term Business Loans, Inc. ("BFS") asserted two identical Claims numbered 24 and 25, both secured and in the amount of $972,642. The Debtor initiated an adversary proceeding in the bankruptcy disputing the duplicate claims and the validity of the security interest asserted by BFS. The Debtor argues that the Claim of BFS is not validly perfected and therefore is unsecured. Even if BFS holds a valid security interest, it is junior to the security interest asserted by FirstMerit because FirstMerit's lien was perfected prior to the lien of BFS. Based on the Debtor's analysis, one Claim asserted by BFS shall share pro rata in the $250,000 contributed by the New Company for the benefit of claimants holding Claims in Classes 2B, 3, 5 and 6.

Asserted Claim of Equity Management. Equity Management asserted Claim number 14, a secured Claim in the amount of $200,000. Equity Management sold certain equipment to the Debtor several years before the bankruptcy filing and asserts a secured Claim, however, Equity Management failed to properly perfect any such security interest. Therefore, Equity Management's Claim will share pro rata in the $250,000 contributed by the New Company for the benefit of claimants holding Claims in Classes 2B, 3, 5 and 6.

Asserted Claim of Chase Bank. In their schedules, a secured Claim is attributed to Chase Bank in the amount of $6,500. Chase Bank's Claim will be paid on the Effective Date of the Plan.

K. Classification and Treatment of Claims and Equity Interests

The following table classifies Claims and Equity Interests for all purposes, including voting, confirmation and distribution pursuant hereto and pursuant to sections 1122 and 1123(a)(1) of the Bankruptcy Code. The Plan deems a Claim or Equity Interest to be classified in a particular Class only to the extent that the Claim or Equity Interest qualifies within the description of that Class and shall be deemed classified in a different Class to the extent that any remainder of such Claim or Equity Interest qualifies within the description of such different Class. A Claim or Equity Interest is in a particular Class only to the extent that any such Claim or Equity Interest is Allowed in that Class and has not been paid or otherwise settled prior to the Effective Date.

Class	Estimated Value of Claims	Estimated Percentage Distribution	Treatment	Voting
Class 1, Other Priority Claims	$0	100%	Unimpaired	No, deemed to accept
Class 2A, Secured Claim of FirstMerit Bank, N.A.	$1,400,000	100%	Impaired	Yes
Class 2B, Deficiency Claim of FirstMerit Bank, N.A.	$3,208,369.85	$25,000 plus pro rata portion of $250,000	Impaired	Yes
Class 3, Secured Claim of BFS	$972,642	pro rata portion of	Impaired	Yes

		$250,000		
Class 4, Secured Claim of Chase Bank	$6,500	100%	Unimpaired	No, deemed to accept
Class 5, Secured Claim of Equity Management	$200,000	pro rata portion of $250,000	Impaired	Yes
Class 6, General Unsecured Claims	$2,488,423.28	pro rata portion of $250,000	Impaired	Yes
Class 7, Equity Interests	$8,084,122.66	0%	Impaired	No, deemed to reject

1. Class 1 — Other Priority Claims

   a. Classification: Other Priority Claims are Claims that are accorded priority in right of payment under section 507(a) of the Bankruptcy Code, other than Allowed Administrative Claims, Allowed Priority Tax Claims, and Allowed Professional Fees Claims.

   b. Treatment: The Debtor is unaware of any valid Other Priority Claims. Theodore Ralston asserted a priority wage claim in the amount of $12,850, however, the Debtor intends to object to this Claim and believes it is wholly invalid. However, if Other Priority Claims exist, except to the extent that a holder of an Other Priority Claims agrees to less favorable treatment, each holder of any unpaid Allowed Class 1 Claim shall receive, in full satisfaction of such Claim, as soon as practicable after the Effective Date, Cash equal to the amount of such Allowed Claim.

   c. Voting: Class 1 is Unimpaired, any holder of an Allowed Class 1 Claim is deemed to have accepted the Plan, and is not entitled to vote to accept or reject the Plan.

2. Class 2A — Secured Claim of FirstMerit

   a. Classification: Class 2A consists of a Claim (Claim No. 18) asserted by FirstMerit in the amount of $4,608,369.85.

   b. Treatment: FirstMerit's lien on the Debtor's sold property shall attach to the $1.4 million sale proceeds. Except to the extent FirstMerit agrees to less favorable treatment, on the latest of (x) the Effective Date, or (y) such other date as may be ordered by the Bankruptcy Court, or in each case, as soon as reasonably practicable thereafter, in full satisfaction, settlement, and release of such Allowed Claim of FirstMerit, such Claim shall be:

      (i) paid in Cash the amount of $1,400,000; or
      (ii) paid in Cash a settlement amount mutually agreeable to the Debtor

or the New Company and FirstMerit,.

c. Voting: Class 2A is Impaired, and the holder of the Class 2A Claim is entitled to vote on the Plan.

3. Class 2B – Deficiency Claim of FirstMerit

a. Classification: Class 2B consists of FirstMerit's Deficiency Claim, which is $3,208,369.85; FirstMerit's Deficiency Claim is the portion of FirstMerit's Claim which exceeds the value of the Debtor's collateral or sale proceeds derived therefrom, is unsecured, and is calculated by subtracting from the total amount of FirstMerit's Claim (which is $4,608,369.85) the sale proceeds of the Debtor's Assets (which is $1,400,000).

b. Treatment: Except to the extent the holder of the Class 2B Claim agrees to a less favorable or different treatment, the Class 2B Claim shall receive $25,000 one year after the Effective Date, or as soon as practicable thereafter. The Class 2B Claim holder shall also receive Cash in the amount of its pro rata share of the Unsecured Claim Funds, shared by Classes 2B, 3, 5, and 6, based upon the principal amount of the holder's Allowed Claim, in full satisfaction of such Allowed Class 2B Claim, one year after the Effective Date.

c. Voting: Class 2B is Impaired, and holder of Class 2B Claim is entitled to vote on the Plan.

4. Class 3 – Secured Claim of BFS

a. Classification: Class 3 consists of two duplicate Claims (Claims 24 and 25) each asserted by BFS in the amount of $972,642.00.

b. Treatment: The Debtor believes that the Secured Claim of BFS is either not properly perfected or junior to FirstMerit's security interest. On June 23, 2016, the Debtor formally disputed the security interest asserted by BFS and the duplicate nature of Claims 24 and 25 by initiating an adversary proceeding complaint in the Bankruptcy Court referred to as case number 16-03053. However, even if it is determined that BFS' Claim is secured, then, BFS's security interest remains subordinated to the security interest of FirstMerit, because FirstMerit's asserted financing statement was filed prior to the relevant financing statement of BFS and BFS agreed to be subordinated to FirstMerit when the loan was initiated. Accordingly, regardless of whether BFS' Claim is determined to be secured or unsecured, except to the extent that the holder of the Secured Claim of BFS agrees to less favorable treatment, on the latest of (x) the Effective Date, or (y) such other date as may be ordered by the Bankruptcy Court, or in each case, as soon as reasonably practicable thereafter, the Class 3 Claim holder shall receive Cash in the amount of its pro rata share of the Unsecured Claim Funds, shared by Classes 2B, 3, 5, and 6, based upon the principal amount of the holder's Allowed Claim, in full satisfaction of such Allowed Class 3 Claim,

one year after the Effective Date:

c. Voting: Class 3 is Impaired, and holder of Class 3 Claim is entitled to vote on the Plan.

5. Class 4 – Secured Claim of Chase Bank

a. Classification: Class 4 consists of a Claim of Chase Bank in the amount of $6,500 listed in the Debtor's Schedules.

b. Treatment: Except to the extent that the holder of the Secured Claim of Chase Bank agrees to less favorable treatment, on the latest of (x) the Effective Date, or (y) such other date as may be ordered by the Bankruptcy Court, or in each case, as soon as reasonably practicable thereafter, the Secured Claim of Chase Bank shall be paid in Cash in full satisfaction, settlement, release and discharge of such Allowed Claim of Chase Bank, as soon as practicable after the Effective Date.

c. Voting: The holder of the Allowed Class 4 Claim is Unimpaired, deemed to have accepted the Plan, and is not entitled to vote to accept or reject the Plan.

6. Class 5 — Secured Claim of Equity Management

a. Classification: Class 5 consists of a Claim asserted by Equity Management Group, LLC in the amount of $200,000.00 (Claim no. 14).

b. Treatment: The Debtor believes that the Secured Claim of Equity Management is unsecured. The Debtor hereby disputes the security interest asserted by Equity Management. However, even it is determined that Equity Management's Claim is secured, then, Equity Management's security interest remains subordinated to the security interest of FirstMerit because FirstMerit's asserted financial statement was filed prior to the statement of Equity Management.

Equity Management's Claim, unless it agrees to less favorable treatment, on the latest of (x) the Effective Date, or (y) such other date as may be ordered by the Bankruptcy Court, or in each case, as soon as reasonably practicable thereafter, shall receive Cash in the amount of its pro rata share of the Unsecured Claim Funds, shared by Classes 2B, 3, 5, and 6, based upon the principal amount of the holder's Allowed Claim, in full satisfaction of such Allowed Class 5 Claim, one year after the Effective Date.

c. Voting: Class 5 is Impaired, and holder of Class 5 Claim is entitled to vote on the Plan.

7. Class 6 — General Unsecured Claims

a. Classification: Class 6 consists of all Allowed General Unsecured Claims. The Estimated total of General Unsecured Claims is $2,488,423.28. This does not include the Claims associated with Classes 2B, 3, and 5.

b. Treatment: Except to the extent a holder of an Allowed General Unsecured Claim agrees to a less favorable or different treatment, the New Company shall make a cash contribution of $250,000 one year after the Effective Date (the "Unsecured Claim Funds") which shall be distributed to the pool of General Unsecured Claims and shared by Classes 2B, 3, 5, and 6. Each holder of an Allowed Class 6 Claim shall receive, in full satisfaction of such Allowed General Unsecured Claim, one year after the Effective Date, Cash in the amount of its pro rata share of the Unsecured Claim Funds, based upon the principal amount of each holder's Allowed Claim.

c. Voting: Class 6 is Impaired, and holders of Class 6 Claims are entitled to vote on the Plan.

8. Class 7 — Equity Interests

a. Classification: Class 7 consists of the Equity Interests.

b. Treatment: Each Holder of an Allowed Class 7 Equity Interest shall not be entitled to distributions of any kind on account of such Equity Interest. The Debtor's member interests shall be canceled. The Debtor's current member interest holders, for capital sale purposes, are:

Robert Zubrow	80%
Investors represented by Eric Pouilly	9%
Investors represented by Doug Conner	9%
David Ehrnsberger	2%

c. Voting: Class 7 is Impaired, is deemed to have rejected the Plan and is not entitled to vote to accept or reject the Plan.

L. Subordination

The treatment of Claims and Equity Interests conforms to contractual, legal and equitable subordination rights relating thereto, whether arising under general principles of equitable subordination, section 510 of the Bankruptcy Code, or otherwise. The Debtor believes that even if the Claims of BFS and Equity Management are secured, such liens would have lower priority than the Claim of FirstMerit.

M. Special Provision Governing Unimpaired Claims

Except as otherwise provided in the Plan, nothing under the Plan shall affect the Debtor's rights in respect of any Unimpaired Claim, including, but not limited to, all rights in respect of legal and equitable defenses to or set-offs or recoupment against any such Unimpaired Claim.

N. U.S. Trustee Fees

Pursuant to section 1930(a)(6) of title 28 of the United States Code, 28 U.S.C. §

1930(a)(6), post-Confirmation quarterly fees due and payable to the United States Trustee will be paid by the New Company until such time as the case is converted, dismissed, or a final decree is entered, whichever occurs first. As set forth in further detail in the Plan and for the avoidance of doubt, if this Plan is approved, post-confirmation U.S. Trustee Reports and corresponding fees shall only include Claims distributions in the following amounts: (a) $1,400,000; (b) $6,500; (c) $25,000; (d) $250,000; (e) Administrative Claims; and (f) Priority Tax Claims. No other amounts shall be reported in U.S. Trustee reports.

O. Date of Distributions

As soon as practicable after the Effective Date, the New Company shall make distributions with respect to Allowed Claims in Classes 2A and 4. One year after the Effective Date, or as soon as practicable, the New Company shall make distributions to Allowed Claims, as set forth herein, in Classes 2B, 3, 5, and 6.

P. No Accrual of Post-petition Interest

No holder of an Allowed Claim will be entitled to the accrual of post- petition interest or the payment of post-petition interest on account of such Claim for any purpose.

Q. Executory Contracts and Unexpired Leases

1. Assumption and Rejection of Executory Contracts and Unexpired Leases

Any executory contracts and unexpired leases that have not expired by their own terms on or prior to the Effective Date, which have not been assumed or rejected during the pendency of the Chapter 11 Case and that are not the subject of a motion pending as of the Effective Date to assume the same, shall be deemed rejected by the Debtor as of immediately prior to the Petition Date, and the entry of the Confirmation Order by the Bankruptcy Court shall constitute approval of any such rejections pursuant to sections 365(a) and 1123 of the Bankruptcy Code.

2. Claims Based on Rejection of Executory Contracts or Unexpired Leases

All proofs of claim arising from the rejection of executory contracts or unexpired leases must be filed within thirty (30) days of the Effective Date. Any Claims arising from the rejection of an executory contract or unexpired lease for which proofs of claim are not timely filed within that time period will be forever barred from assertion against the Debtor, the Debtor's Estate, the New Company and their respective successors and assigns, and their assets and properties, unless otherwise ordered by the Bankruptcy Court. As of the Effective Date, all such un-asserted Claims shall be subject to the permanent injunction set forth in **Article IX.B** of the Plan.

3. Cure of Defaults for Executory Contracts and Unexpired Leases Assumed Pursuant to the Plan

Monetary amounts related to executory contract and unexpired lease obligations owed by the Debtor, which were assumed, shall be satisfied, pursuant to section 365(b)(1) of the Bankruptcy Code, by payment of the Allowed amount due in Cash as soon as practicable after the Effective Date or on such other terms as the parties to each such executory contract or

unexpired lease may otherwise agree. In the event of a dispute regarding the amount of a cure payment, "adequate assurance of future performance" (within the meaning of section 365 of the Bankruptcy Code), or any other matter pertaining to assumption: (1) the Debtor and New Company retains the right to reject the applicable executory contract or unexpired lease at any time prior to the resolution of the dispute; (2) cure payments shall only be made following the entry of a Final Order resolving the dispute.

VII. LIQUIDATION ANALYSIS

The Bankruptcy Court is required to make an independent determination that the Plan is in the best interest of creditors and interest holders impaired by the Plan before the Plan can be confirmed. The "best interests" test requires the Bankruptcy Court to find either that all members of an impaired class of claims or interests have accepted the Plan or that the Plan will provide members of such impaired Class with a recovery that has a value at least equal to the value of the distribution that each such member would receive if the Debtor were liquidated under chapter 7 of the Bankruptcy Code.

If no plan of reorganization or liquidation is confirmed, the Chapter 11 Case may be converted to a case under Chapter 7 of the Bankruptcy Code and the Debtor's remaining assets liquidated pursuant to that Chapter. Because of the numerous uncertainties and time delays associated with liquidations of assets, it is not possible to predict with certainty the outcome of any Chapter 7 or Chapter 11 liquidation. In contrast, in this proposed Plan, the Debtor anticipates reorganizing and continuing to operate. Mr. Schottenstein's purchase of substantially all the assets of the Debtor will allow a significant distribution to FirstMerit immediately upon the Effective Date and distributions to all other creditor Classes, including the General Unsecured Claim creditors one year after the Effective Date. If this Plan is not approved and the Debtor's assets are instead liquidated, only the Claim of FirstMerit will receive a distribution; no other creditor with a secured or unsecured Claim will receive any distribution. The conversion of this Chapter 11 Case to a case under Chapter 7 of the Bankruptcy Code would require the retention of new professionals and likely duplication of work already performed by the professionals retained in the Chapter 11 Case. A Chapter 7 trustee would be appointed and it would take additional time for the Chapter 7 trustee and the trustee's legal counsel to learn the information necessary to liquidate or abandon the assets and fulfill the remaining obligations of the Debtor's Estate. Further, new deadlines for asserting Claims would arise upon conversion of the Chapter 11 Case to cases under Chapter 7, thereby further delaying distributions to creditors and increasing the costs of professionals. Finally, any proceeds realized from such administration and liquidation would first be used to pay all costs and expenses incurred from and after the date of the conversion to Chapter 7, including Chapter 7 trustee fees and the fees and costs of any professionals retained by the Chapter 7 trustee. Because of this additional layer of administrative expenses and the lack of investment by any third party, the Debtor strongly believes that in a Chapter 7 liquidation, only FirstMerit would receive a distribution. Accordingly, the Debtor believes that all creditors will receive greater distributions under the Plan than they would receive through a Chapter 7 liquidation.

VIII. VOTING AND CONFIRMATION OF THE PLAN

A. Required Findings

The Bankruptcy Code requires, to confirm the Plan, that the Bankruptcy Court make a series of findings concerning the Plan, including that:

1. the Plan complies with all requirements of the Bankruptcy Code, including section 1129;
2. among the statutory requirements for confirmation of a Chapter 11 plan are that the plan is: (i) accepted by all impaired classes of claims and equity interests, or if rejected by an impaired class, that the plan does not discriminate unfairly and is fair and equitable as to such class, (ii) in the best interests of creditors and interest holders that are impaired under the plan, and (iii) feasible;
3. the Plan has classified Claims and Interests in a permissible manner;
4. the disclosure required by section 1125 of the Bankruptcy Code has been provided;
5. the Debtor has proposed the Plan in good faith and not by any means forbidden by law;
6. any payment made, or to be made, by the Plan for services, costs, and expenses in Debtor's cases, or in connection with Debtor's cases, has been approved, or is subject to approval by the Bankruptcy Court as reasonable;
7. the disclosures required under section 1129(a)(5) have been made;
8. the Plan seeks acceptance by the requisite votes of creditors;
9. the Plan is in the "best interests" of all holders of Claims or Interests in an impaired Class by providing to creditors and Interest holders on account of such Claims or Interests, property of a value, as of the Effective Date, that is not less than the amount that such holder would receive or retain in a chapter 7 liquidation;
10. if a Class of claims is Impaired under the Plan, at least one class of Impaired claims has voted to accept the Plan;
11. the Plan is feasible, and Confirmation will likely not be followed by the liquidation under Chapter 7 or the need for further financial reorganization of Debtor;
12. the sale contemplated by the Schottenstein APA represents the highest and best offer to purchase the Debtor's assets, is the result of good faith and arms-length negotiation between Mr. Schottenstein and the Debtor and that the Debtor's assets being sold are being sold free and clear of any and all liens, claims, interests and encumbrances;
13. all fees and expenses payable under 28 U.S.C. §1930, as determined by the Bankruptcy Court at the hearing on Confirmation, have been paid (or the Plan provides for the payment of such fees after the Effective Date).

B. Voting Procedures and Requirements

Pursuant to the Bankruptcy Code, only classes of claims against or equity interests in a Debtor that are "impaired" under the terms and provisions of a plan of reorganization are entitled to vote to accept or reject a plan. A class is "impaired" if the legal, equitable, or contractual rights attaching to the claims or interests of that class are modified, other than by curing default and reinstating maturity. Under the Plan, Classes of Claims that are not impaired are not entitled to vote on the Plan and are deemed to have accepted the Plan. In addition, Classes of Claims and Interests that receive no distributions under the Plan are not entitled to vote on the Plan and are deemed to have rejected the Plan, unless such Class otherwise indicates acceptance.

In addition, the following voting procedures and standard assumptions will be used for purposes of tabulating ballots:

1. The amount of a Claim that will be used to determine votes for or against the Plan will be either (a) the Claim amount listed on the schedules of liabilities filed with the Court unless such Claim is listed on the schedules of liabilities as contingent, unliquidated or disputed, (b) the liquidated amount specified in a proof of claim timely filed with the Court that is not the subject of an objection, or (c) the liquidated amount specified in a final order. If the holder of a Claim submits a Ballot, but such holder has not timely filed a proof of claim, and (i) such holder's Claim is listed on the schedules of liabilities as contingent, unliquidated, or disputed, or (ii) such holder's Claim is the subject of an objection, the Ballot will not be counted for purposes of determining acceptances or rejections of the Plan, in accordance with Rule 3018, unless the Bankruptcy Court has temporarily allowed the Claim for the purpose of accepting or rejecting the Plan in accordance with Bankruptcy Rule 3018.
2. Whenever a holder of a Claim casts more than one ballot voting the same Claim prior to the Voting Deadline, the latest dated Ballot received prior to the Voting Deadline will be deemed to supersede and revoke any prior Ballots.
3. Holders of Claims must vote all of their Claims within a particular Class either to accept or reject the Plan and may not split their votes. Accordingly, the Debtor will treat as an acceptance any ballot (or multiple ballots with respect to multiple Claims within a single Class) that partially rejects and partially accepts the Plan.
4. Ballots that fail to indicate an acceptance or rejection of the Plan, but which are otherwise properly executed and received prior to the Voting Deadline, will be tabulated as an acceptance.

VOTING ON THE PLAN BY EACH HOLDER OF AN IMPAIRED CLAIM ENTITLED TO VOTE ON THE PLAN IS IMPORTANT. IF YOU HOLD CLAIMS IN MORE THAN ONE CLASS, YOU MAY RECEIVE MORE THAN ONE BALLOT. YOU SHOULD COMPLETE, SIGN AND RETURN EACH BALLOT YOU RECEIVE. PLEASE FOLLOW THE DIRECTIONS ON THE BALLOT CAREFULLY.

Votes cannot be transmitted orally. Accordingly, you are urged to return your signed and completed ballot promptly.

IF YOU HAVE A CLAIM THAT IS IMPAIRED UNDER THE PLAN ENTITLING YOU TO VOTE AND YOU DID NOT RECEIVE A BALLOT, RECEIVED A DAMAGED BALLOT OR LOST YOUR BALLOT, OR IF YOU HAVE ANY QUESTIONS CONCERNING THIS DISCLOSURE STATEMENT OR THE PLAN, PLEASE CALL OR EMAIL SHERRI DAHL, COUNSEL FOR THE DEBTOR, SDAHL@DAHLLAWLLC.COM, 216.235.6871.

C. Confirmation Hearing

The Bankruptcy Code requires that the Bankruptcy Court, after notice, hold a hearing on whether the Debtor has fulfilled the Confirmation requirements of section 1129 of the Bankruptcy Code. The Confirmation hearing has been scheduled for **[_____] Eastern Time on**

_____, 2016, before the Honorable Mary Ann Whipple, at the James M. Ashley and Thomas W.L. Ashley United States Courthouse, Bankruptcy Court for the Northern District of Ohio, Toledo Division, 1716 Spielbusch Avenue, Toledo, Ohio 43604. The Confirmation hearing may be adjourned from time to time by the Bankruptcy Court without further notice, except for an announcement of the adjourned date made at the Confirmation hearing. Any objection to Confirmation must be made in writing and must specify in detail the name and address of the objector, all grounds for the objection and the amount of the Claim or Interest held by the objector. Any such objections must be filed and served upon the persons designated in the notice of the Confirmation hearing.

D. Confirmation

At the Confirmation hearing, the Bankruptcy Court will confirm the Plan only if the requirements of section 1129 of the Bankruptcy Code are met. Among the requirements for Confirmation are that the Plan: (1) is accepted by the requisite holders of Claims and Interests in impaired Classes or, if not so accepted, is "fair and equitable" and "does not discriminate unfairly" as to the non-accepting Class, (2) is in the "best interests" of each holder of a Claim or Interest in each impaired Class, (3) is feasible, and (4) complies with the applicable provisions of the Bankruptcy Code.

E. Acceptance or Cramdown

A plan is accepted by an impaired class of claims if holders of at least two-thirds in dollar amount and a majority in number of claims of that class vote to accept the plan. Only those holders of claims who actually vote (and are entitled to vote) to accept or to reject a plan count in this tabulation. A plan is accepted by an impaired class of Interests if holders of at least two-thirds of the number of shares in such class vote to accept the plan. As with claims, only those holders of interests who actually return a ballot count in this tabulation. In addition to this voting requirement, section 1129 of the Bankruptcy Code requires that a plan be accepted by each holder of a claim or interest in an impaired class or that the plan otherwise be found by the Bankruptcy Court to be in the best interests of each holder of a claim or interest in an impaired class. In addition, the impaired classes must accept the plan for the plan to be confirmed without application of the fair and equitable test in section 1129(b) of the Bankruptcy Code discussed below.

The Bankruptcy Code contains provisions for confirmation of a plan even if it is not accepted by all impaired classes, as long as at least one impaired class of claims has accepted it. These so-called "cramdown" provisions are set forth in section 1129(b) of the Bankruptcy Code. As indicated above, the plan may be confirmed under the cramdown provisions if, in addition to satisfying the other requirements of section 1129 of the Bankruptcy Code, the plan (a) is "fair and equitable" and (b) "does not discriminate unfairly" with respect to each class of claims or interests that is impaired under, and has not accepted, the plan. The "fair and equitable" standard, also known as the "absolute priority rule," requires, among other things, that unless a dissenting class of unsecured claims or class of interests receives full compensation for its allowed claims or allowed interests, no holder of allowed claims or interests in any junior class may receive or retain any property on account of such claims or interests. With respect to a dissenting class of secured claims, the "fair and equitable" standard requires, among other things, that holders either

(i) retain their liens and receive deferred cash payments with a value as of the effective date equal to the value of their interest in property of the estate or (ii) otherwise receive the indubitable equivalent of the secured claims.

In this Chapter 11 Case, the Debtor believes that the Plan may be crammed down over the dissent of certain Classes of Claims or Classes of Interests, in view of the treatment proposed for such Classes. No assurance exists, however, that the cramdown requirements of section 1129(b) of the Bankruptcy Code would be satisfied even if the Plan treatment provisions were amended or withdrawn as to one or more creditors or Interest holders.

The requirement that the Plan not "discriminate unfairly" means, among other things, that a dissenting Class must be afforded substantially similar and equal treatment compared with the treatment provided to other Classes of equal rank. The Debtor believes that the Plan does not discriminate unfairly against any Class that may not accept or otherwise consent to the Plan.

Subject to the conditions set forth in the Plan, a determination by the Bankruptcy Court that the Plan is not confirmable pursuant to section 1129 of the Bankruptcy Code will not limit or affect the Debtor's ability to modify the Plan to satisfy the provision of section 1129(b) of the Bankruptcy Code.

F. Best Interests Test

Generally, each holder of a claim or interest in an impaired class must either (1) accept the plan or (2) receive or retain under the plan either cash or property of a value, as of the effective date of the plan, that is not less than the value that holder would receive or retain if the debtor(s) were liquidated under Chapter 7 of the Bankruptcy Code. In this Chapter 11 Case, the Bankruptcy Court will determine whether the Cash to be issued under the Plan to each holder likely equals or exceeds the value that would be allocated to the holder in a Chapter 7 liquidation. The Debtor believes that the Plan meets this requirement.

G. Settlement of Claims

Pursuant to section 1123 of the Bankruptcy Code and Bankruptcy Rule 9019, and in consideration for the classification, distributions, releases, and other benefits provided under the Plan, upon the Effective Date, the provisions of the Plan shall constitute a good faith compromise and settlement of all Claims and Equity Interests and controversies resolved pursuant to the Plan.

IX. FEDERAL INCOME TAX CONSIDERATIONS OF CONSUMMATION OF THE PLAN

A. Potential Federal Tax Consequences

A DESCRIPTION OF CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN IS PROVIDED BELOW. THIS DESCRIPTION IS BASED ON THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), THE TREASURY REGULATIONS ISSUED THEREUNDER, AND ADMINISTRATIVE DETERMINATIONS OF THE IRS IN EFFECT AS OF THE DATE OF THIS DISCLOSURE STATEMENT.

CHANGES IN THESE AUTHORITIES, WHICH MAY HAVE RETROACTIVE EFFECT, OR NEW INTERPRETATIONS OF EXISTING AUTHORITY MAY CAUSE THE FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN TO DIFFER MATERIALLY FROM THE CONSEQUENCES DESCRIBED BELOW. MOREOVER, NO RULINGS HAVE BEEN REQUESTED FROM THE IRS, AND NO LEGAL OPINIONS HAVE BEEN REQUESTED FROM COUNSEL WITH RESPECT TO ANY TAX CONSEQUENCE OF THE PLAN. NO TAX OPINION IS GIVEN BY THIS DISCLOSURE STATEMENT. THIS DESCRIPTION DOES NOT COVER ALL ASPECTS OF FEDERAL INCOME TAXATION THAT MAY BE RELEVANT TO DEBTOR OR HOLDERS OF CLAIMS. THE DESCRIPTION, MOREOVER, IS LIMITED TO FEDERAL INCOME TAX CONSEQUENCES.

FOR THESE REASONS, THE DESCRIPTION THAT FOLLOWS IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING AND PROFESSIONAL TAX ADVICE BASED UPON THE INDIVIDUAL CIRCUMSTANCES OF EACH HOLDER OF A CLAIM OR INTEREST. HOLDERS OF CLAIMS OR INTERESTS ARE URGED TO CONSULT WITH THEIR OWN TAX ADVISORS REGARDING THE FEDERAL, STATE, AND LOCAL TAX CONSEQUENCES OF THE PLAN.

B. Federal Income Tax Consequences to Debtor

For U.S. federal income tax purposes, if the Plan is confirmed, all of the Debtor's Assets will be conveyed to the New Company. The Debtor's Representative shall pay, or cause to be paid, by the New Company, any tax imposed by any federal, state, or local taxing authority on the income generated by the funds or property held in, or on account of, such New Company's Assets. The Debtor's Representative shall file, or cause to be filed, any tax or information return related to the Debtor's Estate and the New Company's business operations that is required by any federal, state, or local taxing authority.

C. Net Operating Loss Carryforwards

The Debtor intends to investigate whether the Debtor has tax losses from operations resulting in net operating loss ("NOL") carryforwards for federal income tax purposes. In general, an NOL may be carried forward up to 20 years to offset income that would otherwise be subject to federal income tax. The NOL is subject to reduction or elimination for a number of reasons. First, the NOL could be reduced or eliminated as a result of audit adjustments arising from current or future IRS examinations of Debtor's tax returns. Second, the NOL could also be reduced or eliminated by any cancellation of debt ("COD") income recognized by Debtor as a result of the attribution reduction rules discussed below. Third, the NOL could also be reduced or eliminated by any gain recognized on the disposition of assets.

In addition to being subject to reduction or elimination for the above reasons, the utility of Debtor's NOL may be limited by the operation of section 382 of the Code. In general, whenever a corporation undergoes a greater than 50% ownership change during a three-year period, section 382 provides annual limitation on the amount of the NOL that may be used in future years. The annual limitation is generally the product of the fair market value of the corporation's equity immediately before the ownership change (increased, in a Chapter 11 case such as this, to reflect the surrender or cancellation of creditor claims), multiplied by the "long-

term tax-exempt rate" published by the IRS.

In evaluating the effect of the NOL on Debtor's future tax liability, holders of Claims and Interests should note that the NOL carry forward amount and the annual limitation actually available to a debtor each year if section 382 applies will depend upon facts about which there can be no certainty, including a debtor's market value and the long-term tax-exempt rate on the Effective Date. A debtor's actual income in future years, moreover, may be less than the amounts that have been projected, which would also reduce the present value of the NOL carryforward.

Specific to this Case, before any Plan is confirmed, the Debtor has been organized as a limited liability company ("LLC") and treated as a partnership for tax purposes. Annual profits and losses have been reported through the entity to the member interest holders on forms K-1. New Company will be organized as a subchapter S corporation.

D. Reduction of Debtor's Indebtedness

Generally, the discharge of a debt obligation by a Debtor for an amount less than the adjusted issue price gives rise to COD income, which must be included in the debtor's income. COD income is not recognized by a taxpayer that is a Debtor in a Chapter 11 case if the discharge is granted by the court or pursuant to a plan of reorganization approved by the court.

E. Alternative Minimum Tax

A corporation may incur alternative minimum tax ("AMT") liability even where NOL carryforwards and other tax attributes are sufficient to eliminate its taxable income as computed under the regular corporate income tax. It is thus possible that implementation of the Plan, or other events or transactions connected with the Plan, may result in AMT to a debtor to the extent they are corporations. In this Case, both before this Plan is confirmed and after, any AMT liability will impact the individual stockholder.

F. Federal Income Tax Consequences to Holders of Allowed Claims

The tax consequences of the Plan to a holder of an Allowed Claim will depend, in part, on whether the holder is a corporation or an individual, the amount of consideration received in exchange for the Claim, whether the holder reports income on the accrual or cash basis method, whether the holder has taken a bad debt deduction with respect to such Claim, and whether the holder receives distributions under the Plan in more than one taxable year.

Holders of Claims will likely recognize gain or loss equal to the amount realized under the Plan in respect of their Claims less their respective tax bases in their Claims. The amount realized for this purpose will generally equal the sum of the cash and the fair market value of any other consideration received under the Plan in respect of their Claims. Any gain or loss recognized in the exchange will be capital or ordinary depending on the status of the Claim in the holder's hands.

A holder who under the Plan will receive in respect of a Claim an amount less than the holder's tax basis in such Claim will most likely be entitled in the year of receipt or in an earlier year to a bad debt deduction in some amount under section 166(a) of the Internal Revenue Code.

The rules governing the timing and amount of bad debt deductions place considerable emphasis on the facts and circumstances of the holder, the obligor, and the instrument with respect to which a deduction is claimed; holders of Claims are therefore urged to consult their tax advisors with respect to their ability to take such deduction.

G. Modification or Revocation of the Plan; Severability

Modification of the Plan. Subject to the restriction on modifications set forth in section 1127 of the Bankruptcy Code, the Debtor reserves the right to alter, amend or modify the Plan before its substantial consummation.

Revocation of the Plan. The Debtor, and the Debtor alone, reserves the right to revoke or withdraw the Plan prior to the Confirmation Date. If the Debtor revokes or withdraws the Plan, or if Confirmation does not occur, then the Plan shall be null and void in all respects, and nothing contained in the Plan shall: (1) constitute a waiver or release of any Claims by or against, or any Interests in, the Debtor; or (2) prejudice in any manner the rights of the Debtor.

H. Injunction

From and after the Effective Date, all Entities are permanently enjoined from commencing or continuing in any manner against the Debtor, the New Company, the Debtor's Representative, the Debtor's Estate, their respective successors and assigns, and their assets and properties, as the case may be, any suit, action or other proceeding, on account of or respecting any Claim, demand, liability, obligation, debt, right, cause of action, interest or remedy that arose prior to the Effective Date.

X. CONCLUSION

For all of the reasons set forth in this Disclosure Statement, the Debtor believes that the Confirmation and consummation of the Plan is preferable to all other alternatives. Consequently, the Debtor urges all holders of Claims to vote to accept the Plan and to evidence their acceptance by duly completing and returning their ballots so that they will be received on or before **[_____, 2016].**